

1270.03 Cash Advances

Issued January 1, 1994

SUBJECT: Cash Advances.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide guidelines for cash advances.

CONTACT AGENCY: Department of Management and Budget (DMB) - Office of Financial Management (OFM).

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SUMMARY: The Director of DMB consults with the State Treasurer before approving any request for an advance which would provide disbursements in excess of \$1,000,000 in any month, for each program.

Loans are prohibited unless authorized by statute. Loan programs and methods of accounting shall be approved by DMB and Treasury.

Normally, disbursements may not be made before a liability is incurred. However, the following advance payments are allowed without prior approval of the OFM:

- Routine recurring prepayment of administrative costs, i.e., monthly telephone bill, etc.
- Monthly rental or lease payments made per DMB approved, signed contract.
- Contractual advance less than \$10,000.
- With prior approval of OFM, advance payments are allowed if they meet the following criteria:
- Advance must be necessary for the success of a state program funded on an expenditure reimbursement basis.
- The advance amount requested must be reasonable in relationship to the program's cash flow requirements, billing cycle, etc.
- In no case shall an advance be made for the entire amount of a contract.
- An advance can be made only after execution of a written agreement between the requesting agency and receiver of the advance. This agreement must be renewed and updated annually and include specific provisions for advance repayment or renewal.
- Advance payment must be properly recorded as an asset in the state's central accounting system.

The Director of DMB may waive the above criteria if specific legislative or other legal requirements exist which pertain to a particular type of advance.

If advances are of a similar nature and form, and the total amount of advances is included, requests should be made on a program basis.

Advances for payroll, unearned sick leave or annual leave are prohibited.

See Procedure 1210.011 for travel advances.

APPLICABLE FORMS: None.

PROCEDURES:

Agency:

- If requesting an advance for a program with federal funding, draws and receipts funds before initiating issuance of State Treasurer warrants.
- Establishes internal control procedures (reporting or auditing) to safeguard the state's right to repayment; such as a requirement that advances to non-governmental agencies are backed by collateral, bonds or letter of credit.
- Forwards letter to DMB, OFM, and a copy to Treasury, Bureau of Management Services, that demonstrates compliance to criteria provided in this policy.
 - Attaches a copy of the written agreement.
- Submits request at least 2 months before date of the advance.
- Submits request for renewal of a previously approved advance, annually, at least 30 days prior to fiscal year-end.
 - If applicable, provides reasons in the renewal request for changes in the program or the amount requested.

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